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Letter dated 26 April 2016 from the Secretary-General addressed to the President of the Security Council

Pursuant to Security Council resolution 1031 (1995), I have the honour to transmit the forty-ninth report on the implementation of the Peace Agreement on Bosnia and Herzegovina, covering the period from 22 October 2015 to 15 April 2016, which I received from the High Representative for Bosnia and Herzegovina (see annex).

I should be grateful if you could bring the report to the attention of the members of the Security Council.

(*Signed*) **BAN** Ki-moon

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Annex

Letter dated 18 April 2016 from the High Representative for Bosnia and Herzegovina addressed to the Secretary-General

Pursuant to Security Council resolution 1031 (1995), in which the Council requested the Secretary-General to submit to the Council reports from the High Representative in accordance with annex 10 of the General Framework Agreement for Peace in Bosnia and Herzegovina and the Conclusions of the London Peace Implementation Conference of 8 and 9 December 1995, I herewith present to you the forty-ninth report of the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina. I would ask that the report be distributed to the members of the Council for their consideration.

This is my fifteenth regular report to the Secretary-General since I assumed the post of High Representative for Bosnia and Herzegovina and European Union Special Representative on 26 March 2009. The present report covers the period from 22 October 2015 to 15 April 2016.

Should you or a member of the Security Council require any information beyond what is provided in the attached report or have any questions regarding its contents, I should be pleased to provide you with that information.

(*Signed*) Valentin **Inzko**

Forty-ninth report of the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina

Summary

The present report covers the period from 22 October 2015 to 15 April 2016. The reporting period has been dominated by several notable developments, including the submission by Bosnia and Herzegovina of an application for membership in the European Union. Other developments include the adoption of entity-level labour laws; first-instance verdicts rendered by the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991, in the cases against Radovan Karadžić and Vojislav Šešelj; and public indications by the Republika Srpska authorities that the Republika Srpska referendum on the authority of the Bosnia and Herzegovina Court and Prosecutor's Office, and on the authorities and decisions of the High Representative, will not go ahead.

I take this opportunity to congratulate the citizens of Bosnia and Herzegovina on their country's application to join the European Union and call upon domestic leaders to continue and to intensify efforts to advance the reforms needed for greater integration, so that they can secure the lasting stability and prosperity to which their citizens aspire.

I strongly support the efforts of the authorities of Bosnia and Herzegovina to register the ownership of assets referred to as "prospective defence property" to the State, in line with the Bosnia and Herzegovina Law on Defence and relevant decisions of the Presidency, as a precondition for the activation of the country's North Atlantic Treaty Organization (NATO) Membership Action Plan. I call upon authorities of the Republika Srpska to enable the registration of prospective defence property located on its territory to the State, as Federation authorities have been doing.

The decision of 15 July of the National Assembly of the Republika Srpska to hold a referendum directly challenging the General Framework Agreement for Peace in Bosnia and Herzegovina was neither published in the Republika Srpska official gazette nor implemented during the reporting period. While welcoming the statements that the referendum has been put to one side, I also note that the decision of the Republika Srpska National Assembly has yet to be repealed. I note with concern that statements continue to be made by the President of the Republika Srpska suggesting that this or another referendum might still be organized.

Challenges to state-level judicial institutions have continued during the reporting period, the most notable of which was set out in a statement signed by the leading Republika Srpska-based political parties expressing their refusal to implement the 26 November decision of the Constitutional Court of Bosnia and Herzegovina regarding the unconstitutionality of provisions of the Republika Srpska Law on Holidays, and conveying their threat to boycott state institutions if legislation concerning the Constitutional Court of Bosnia and Herzegovina is not adopted.

The reporting period was also marked by renewed statements by officials of the Republika Srpska calling for that entity's secession from Bosnia and Herzegovina. Under the authority vested in me, I reiterate that the entities have no right to secede

from Bosnia and Herzegovina under the General Framework Agreement and that the sovereignty and territorial integrity of Bosnia and Herzegovina are guaranteed by the General Framework Agreement, the Constitution of Bosnia and Herzegovina and international law.

The reporting period saw Bosnia and Herzegovina mark the twentieth anniversary of the General Framework Agreement. While there is general recognition that the country has come a long way in the last two decades, there was very little euphoria, given the pressing social and economic challenges that many of the country's citizens continue to face.

A terrorist attack carried out by a single perpetrator in Sarajevo on 18 November resulted in the death of two soldiers of the Armed Forces of Bosnia and Herzegovina. The attack once again highlighted the challenge facing the authorities in Bosnia and Herzegovina in the fight against terrorism. Ever closer cooperation between the authorities at all levels remains of paramount importance.

Sharply divergent reactions to the long-awaited verdicts of the International Tribunal for the Former Yugoslavia against Radovan Karadžić and Vojislav Šešelj reconfirmed the need for all relevant actors in Bosnia and Herzegovina to proactively advance reconciliation and refrain from actions aimed at deepening divisions. In this regard, I was particularly shocked by the naming of a student dormitory in Pale (Republika Srpska) after Radovan Karadžić only two days before he was found guilty of genocide by the International Tribunal. Its high-profile opening by the President of the Republika Srpska sent an insidious message to those communities in the Republika Srpska affected by the wartime ethnic cleansing for which Karadžić was convicted in first instance.

Given the complexities of the environment which continue to prevail in the country, the presence of the European Union military mission in Bosnia and Herzegovina with an executive mandate remains of vital importance, enabling my Office and others in the international community to fulfil our respective mandates as well as reassure citizens of all ethnic groups throughout the country of the safety and security of the environment.

I. Introduction

1. This is my fifteenth periodic report to the Secretary-General since I assumed the post of High Representative for Bosnia and Herzegovina. It provides a narrative description of progress made towards attaining the goals outlined in previous reports, registers factual developments, logs relevant citations relating to the reporting period, and provides my assessment of the implementation in key areas falling under my mandate. I have focused my efforts on addressing these areas, in line with my primary responsibility to uphold the civilian aspects of the General Framework Agreement for Peace in Bosnia and Herzegovina. In this vein, I have consistently encouraged authorities of Bosnia and Herzegovina to achieve progress on the five objectives and two conditions necessary for the closure of the Office of the High Representative and have worked to preserve measures that have been taken previously to implement the General Framework Agreement.

2. My energies continue to be directed towards meeting my mandate, as defined under annex 10 of the General Framework Agreement for Peace and relevant resolutions of the Security Council. Additionally, my Office fully supports the efforts of the European Union and the North Atlantic Treaty Organization (NATO) to help Bosnia and Herzegovina move along the path towards closer integration with those organizations.

II. Political update

A. General political environment

3. Overall, the environment in Bosnia and Herzegovina has been one of mixed developments. On the one hand, the country has taken long-awaited steps towards membership in the European Union, as evidenced by the submission of its membership application on 15 February and by the adoption of entity-level labour legislation. The readiness of the authorities to advance the reform agenda is the bright spot of the reporting period. I also welcome the statement made by the President of the Republika Srpska, Milorad Dodik, on 16 February, in which he announced that the Republika Srpska referendum on the Bosnia and Herzegovina judiciary and the authority of the High Representative would be put aside, although I do note that the decision of 15 July 2015 of the Republika Srpska National Assembly remains in place.

4. At the same time, the ongoing failure by the authorities to reach a resolution on issues such as the publication of the 2013 census results, the European Union coordination mechanism, the implementation of the decision of the Bosnia and Herzegovina Constitutional Court on Mostar, and delivering on outstanding International Monetary Fund (IMF) requirements, points to the pressing need for the ruling coalitions to enhance their efforts to deliver results.

5. Moreover, the readiness of some political actors to question and challenge the General Framework Agreement, including new attempts to undermine the sovereignty and authority of the State and its institutions, continues to cast a shadow over positive efforts to advance economic and social reforms.

6. Two actions stand out in this regard. First, there was the explicit, public refusal on 29 November of the leading Republika Srpska political parties to implement the decision of the Bosnia and Herzegovina Constitutional Court on the observance of the Day of the Republic on 9 January; and their threat to boycott the institutions of Bosnia and Herzegovina if the associated legislative changes demanded by them were not adopted.

7. Second, on 10 December, in response to a legally authorized police operation by the State Investigation and Protection Agency in Novi Grad, which included entry onto the premises of a Republika Srpska police station, the Republika Srpska government adopted conclusions declaring that the Republika Srpska government and all Republika Srpska institutions cease cooperation with the Bosnia and Herzegovina Court and Prosecutor and the State Investigation and Protection Agency. These conclusions were subsequently supported by the Republika Srpska National Assembly While the Republika Srpska authorities eventually resumed operational cooperation under a signed memorandum of understanding, this apparent interference of politics with police work was unacceptable, particularly at a time when agencies need to be strengthening their cooperation. Under the Bosnia and Herzegovina Constitution, the entities are explicitly bound to comply with the decisions of the institutions of Bosnia and Herzegovina.

8. I must also note that the reporting period has been marked by a number of security-related incidents, including a terrorist attack in Sarajevo on 18 November which left two soldiers of Bosnia and Herzegovina dead.

9. Additionally, several events occurred during the reporting period, including reactions to the verdicts of the International Tribunal for the Former Yugoslavia against Radovan Karadžić and Vojislav Šešelj which once again highlighted the pressing need to advance reconciliation.

10. Ruling coalitions at the state and entity levels remained intact during the reporting period after the Party for a Better Future (SBB) replaced the Democratic Front (DF) in the ruling coalition at the Federation level in November. The Party for a Better Future looked set to enter the state-level coalition, until the party's president and its candidate for a ministerial post were arrested and charged by the State judiciary with obstruction of justice in February. This case is ongoing.

B. Decisions of the High Representative during the reporting period

11. During the reporting period, I continued to refrain from using my executive powers, in line with the policy of the Steering Board of the Peace Implementation Council, which emphasizes "local ownership", in contrast with international decision-making.

C. Five objectives and two conditions for closure of the Office of the High Representative

Progress on objectives

12. It is regrettable that during the reporting period, the authorities in Bosnia and Herzegovina made limited progress towards meeting the outstanding objectives and

conditions set by the Steering Board necessary for the closure of the Office of the High Representative (the 5+2 agenda).

State and defence property

13. The term "prospective defence property" refers to a defined list of immovable assets which should be registered to the State of Bosnia and Herzegovina in line with the Agreement on Succession Issues, the Bosnia and Herzegovina Law on Defence and relevant decisions of the Bosnia and Herzegovina presidency. In addition to being part of the conditionality for the participation of Bosnia and Herzegovina under the NATO Membership Action Plan, progress on this issue is one of the outstanding objectives set as a prerequisite for the closure of the Office.

14. The direct registration of prospective defence property continued during the reporting period. To date, at least 21 locations have been successfully registered under the ownership of the State of Bosnia and Herzegovina. Several other prospective properties are at various stages of registration, including registration of usage rights. Despite expedited efforts by the Bosnia and Herzegovina Ministry of Defence and Public Attorney's Office to move the process forward, there has been a noticeable slowdown in further registration of property in recent months due to technical legal issues.

15. Additionally, the above-mentioned progress has been made only in relation to defence properties located on the territory of the Federation. Several requests submitted by the Bosnia and Herzegovina Public Attorney for registration of specific properties located in the Republika Srpska have been rejected (in first instance) by field offices of the Republika Srpska Administration for Geodetic and Property-related Affairs. The reason cited was an alleged "non-existence of a valid legal basis", despite the fact that the relevant decision of the Bosnia and Herzegovina Constitutional Court, of July 2012, clearly determined that the State of Bosnia and Herzegovina is the titleholder of those properties, pursuant to relevant laws and regulations. Two of those decisions are currently under appeal, although there is little indication that the Administration for Geodetic and Property-related Affairs will change its views. A second-instance judgment is still outstanding in the property dispute before the Bosnia and Herzegovina Court regarding the Veliki Žep prospective defence location in the Han Pijesak municipality in the Republika Srpska. As elaborated in my previous reports, on 3 July 2015, the Bosnia and Herzegovina Court rendered a first-instance judgment in this property dispute between the State of Bosnia and Herzegovina and the Republika Srpska, in which it explicitly determined that, based on and pursuant to the Agreement on Succession Issues of the successor States of the former Socialist Federal Republic of Yugoslavia, the State of Bosnia and Herzegovina has ownership rights over the property in question. In August 2015, the Republika Srpska filed an appeal against this judgment and the procedure before the Appellate Division of the Bosnia and Herzegovina Court in the Veliki Žep case is ongoing.

16. Progress on the broader issue of how all State property assets are to be apportioned among the levels of government remains elusive. On 3 February, the Parliamentary Assembly of Bosnia and Herzegovina rejected a draft law submitted by two parliamentarians. The Bosnia and Herzegovina House of Representatives then adopted a conclusion requiring the Bosnia and Herzegovina Council of Ministers to prepare a draft law on the use and management of State property for

entry into the parliamentary procedure no later than the end of 2016. I hope that this conclusion will facilitate a breakthrough so that this issue can finally be regulated in line with the 2012 ruling of the Bosnia and Herzegovina Constitutional Court.

Fiscal sustainability

17. The Office of the High Representative continued to follow, analyse and inform international partners on developments related to fiscal sustainability, including developments in the Bosnia and Herzegovina Fiscal Council and Indirect Taxation Authority Governing Board. The Fiscal Council met once during the reporting period (on 10 November), focusing on a potential new arrangement between Bosnia and Herzegovina and IMF. The Governing Board of the Indirect Taxation Authority held five sessions, from which a new work practice emerged pursuant to which State and entity ministers of finance discussed and agreed on agenda issues in advance, thereby bypassing other members and narrowing the role of the Board to that of a simple endorser of their views. As a result, some items, such as the entity indirect tax revenue allocation coefficients and entity debt settlements, did not appear in the Board's agenda in the reporting period, despite Board regulations making regular coefficient adjustments and debt settlements obligatory.

18. Delayed adjustments of revenue allocation coefficients and debt settlements have also affected the Indirect Taxation Authority, which has been sued by both entities for loss of revenue resulting from such delays. This puts the Authority in a difficult position, since it is the entities themselves that have a decisive vote on the Authority Governing Board in decision-making on revenue allocation, while the Authority is responsible only for enforcement of Board decisions. Those lawsuits seek a total of about 25 million convertible mark (BAM) from the Indirect Taxation Authority. The Bosnia and Herzegovina Constitutional Court has yet to decide on the Authority's appeal against the final ruling by the Court of Bosnia and Herzegovina in favour of the Republika Srpska in one of these cases. I am concerned that this issue could ultimately undermine the financial stability of the Authority.

Brcko district

19. On 11 March, the Presiding Arbitrator of the Arbitral Tribunal for Dispute over the Inter-Entity Boundary in the Brcko Area, Roberts B. Owen, passed away. I would like to take this opportunity to mark with gratitude the immeasurable contribution that Mr. Owen made to entrenching peace and stability in the Brcko District and in Bosnia and Herzegovina as a whole. His historic role in resolving the issue of the status of an area which was left unresolved at Dayton proved pivotal in making the Brcko District an example for Bosnia and Herzegovina and the world of successful post-war reconstruction and reintegration.

20. Problems associated with the adoption of the Brcko District budget for 2015 and a break of over two months in the work of the government and the Assembly marred progress during the reporting period. The budget crisis followed the October ruling of the Brcko District Appellate Court, by which the 2015 budget was taken out of force owing to violations of the ethnic quorum requirements for its adoption. In order to ensure continued financing in the wake of the Court's decision, the District Assembly was forced to amend the District's Law on Budget to allow for temporary financing to be extended through the entire year. The institutions have yet to adopt a 2016 budget.

21. Blockage of the government and the Assembly began in January owing to a long-standing dispute regarding the construction of a mosque in the town centre. The Serb-dominated parties in the ruling coalition first blocked sessions of the government in reaction to the agenda which included the regulatory plan foreseeing the mosque's construction. The Bosniak-dominated parties responded by blocking the work of the Assembly. After two and a half months of blockage of the functioning of the District's institutions, the Supervisor engaged the parties, expressing concern regarding the situation and reminding them of their obligation to respect and implement the Final Award and the Statute. The disputed issue, while not resolved, was effectively put aside and both the Brcko District government and the Assembly resumed their work in March.

22. During the reporting period, my office continued to follow the process of adoption of financial laws related to the implementation of the Memorandum on Institutional Cooperation and Exchange of Data among the four tax administrations in Bosnia and Herzegovina. These laws aim at improving transparency in the business environment, fighting the grey economy and harmonizing the District's legal system with that of the rest of the country. Action on the laws is now pending in the District Assembly.

Entrenching the rule of law

23. The Office of the High Representative facilitated the process of improving the immigration and asylum legal framework of Bosnia and Herzegovina through provision of assistance in developing the new law on foreigners and the law on asylum. The Office is also providing support for the preparation of lower-level legal acts needed to ensure proper implementation of the above-mentioned legislation.

D. Challenges to the General Framework Agreement for Peace

Challenges to the sovereignty and territorial integrity of Bosnia and Herzegovina

24. During the reporting period, officials within the Alliance of Independent Social Democrats (SNSD), the ruling party in the Republika Srpska, continued to advocate for the secession of the Republika Srpska and the dissolution of Bosnia and Herzegovina, thereby directly challenging the General Framework Agreement for Peace and the sovereignty and territorial integrity of Bosnia and Herzegovina. The President of the Republika Srpska, who is also President of SNSD, continued to be the most frequent and vocal exponent of State dissolution. Through his public statements, the President of the Republika Srpska continued: to claim, incorrectly, that the Republika Srpska is already a state,[1] and that Bosnia and Herzegovina is not

[1] "We are committed to the state. Just to be clear, we consider that Republika Srpska is a state." RS President Milorad Dodik, speech reported in *Vesti Online*, 19 March 2016; "Srpska is a genuine Serb's desire for freedom. No freedom without state, and the state we live in is called Republika Srpska." Republika Srpska President, *SRNA*, 28 February 2016; "My states are Republika Srpska and Serbia, and Bosnia and Herzegovina is the place where I have to live." Republika Srpska President, *RTS Upitnik*, 12 January 2016; "In essence, Republika Srpska since its formation on 9 January 1992 ... had all of the elements of a state." Republika Srpska President, *RTS Upitnik*, 12 January 2016; "Republika Srpska was formed on 9 January as a state, and it will continue to build its state-creating character." Republika Srpska President, *Sputnik*, 2 January 2016.

a state;[2] to threaten that the country would fall apart if certain conditions were not met;[3] to affirm that the dissolution of Bosnia and Herzegovina was inevitable;[4] and to call for the future independence of the Republika Srpska.[5] He also claimed, incorrectly, that the Bosnia and Herzegovina Council of Ministers is not a government.[6] The President of SNSD was joined by party colleagues who have argued that institutions of Bosnia and Herzegovina have no authority over the Republika Srpska.[7]

Proposed legislation on the Bosnia and Herzegovina Constitutional Court

25. Following the decision of the Bosnia and Herzegovina Constitutional Court concerning the provisions of the Republika Srpska Law on Holidays and the 29 November joint statement signed by the leading Republika Srpska-based political parties in which they refused to implement it, the Republika Srpska-based parties represented in the Bosnia and Herzegovina Parliamentary Assembly proposed a law on the Bosnia and Herzegovina Constitutional Court, which would regulate the court's jurisdiction, decision-making and membership and certain procedural elements.

26. While according to the Constitution of Bosnia and Herzegovina, the Bosnia and Herzegovina Parliamentary Assembly may adopt a law (i.e., this is not obligatory) that will change the method of appointment of the three judges selected by the President of the European Court of Human Rights, the current proposal raises certain concerns. The law seeks to terminate the mandate of the three international judges currently serving in the Court and provide modalities for their replacement by domestic judges. Besides pointing out the fact that the draft law raises a number of issues under the Constitution of Bosnia and Herzegovina, which foresees the presence of international judges, I have made it clear that the presence of international judges in the Bosnia and Herzegovina Constitutional Court is still critical at a time when the fundamentals of the Constitution are frequently challenged by political office holders. The Bosnia and Herzegovina Constitutional

[2] "Bosnia and Herzegovina is just an international border, an international recognition and nothing else, and Republika Srpska is a state." Republika Srpska President, *RTRS News* (speech in Batkovic), 25 February 2016; "Many people here don't understand nuances, and the nuance is in the fact that Bosnia and Herzegovina is not a state." Republika Srpska President, *RTS Upitnik*, 12 January 2016.

[3] "Maybe this is the last moment for Bosniaks to sit down and talk about political consensus in Bosnia and Herzegovina, and with that economic [consensus]. If they won't, they risk being abandoned in the future and that Bosnia and Herzegovina will not be in the frame in which it is now." Republika Srpska President, *Vijesti.ba*, 18 February 2016.

[4] "Bosnia doesn't have to function and there's no chance that Bosnia will function. It's a temporary, impossible country." Republika Srpska President, *RTS Upitnik*, 12 January 2016.

[5] "I believe that Republika Srpska can one day become an independent state. The Bosnia and Herzegovina we have is not a place where any people can affirm its national, economic and political capacity." Republika Srpska President, *Vijesti.ba*, 2 February 2016.

[6] "On the other hand, Bosnia and Herzegovina does not have a government, only the Council of Ministers — according to the Constitution, an auxiliary body to the Bosnia and Herzegovina Presidency ... And now you have someone somewhere saying that Bosnia and Herzegovina has a government. Here lies the problem. If we allow the Council of Ministers to work as a government, the Republika Srpska can close shop and wave goodbye." Republika Srpska President, *Sputnik*, 27 February 2016.

[7] "The SNSD position is that Bosnia and Herzegovina institutions do not have the supremacy over Republika Srpska institutions and they should be used only to strengthen the Republika Srpska position." SNSD Vice-President Marko Vidakovic, *Narodne Novine*, 10 March 2016.

Court is the only domestic dispute resolution mechanism of its kind, as the international community implements its policy of local ownership.

Judicial referendum decision of the Republika Srpska National Assembly has apparently been put aside

27. I previously reported on the 15 July decision of the Republika Srpska National Assembly to hold a referendum in the Republika Srpska on the validity of the legislation of the Bosnia and Herzegovina Court and Prosecutor's Office, and the applicability of those institutions' decisions on the territory of that entity, as well as on the authorities and decisions of the High Representative. Such a referendum would constitute an open challenge to the sovereignty of Bosnia and Herzegovina and a violation of the commitments and obligations of the Republika Srpska arising under the Constitution of Bosnia and Herzegovina, as set forth in annex 4 of the General Framework Agreement for Peace as well as under annex 10 of the Agreement. I welcome the fact that, so far, no major steps have been taken to implement the referendum decision of the Republika Srpska National Assembly, which at the time of writing had not been published in the Republika Srpska official gazette, while the President of the Republika Srpska and others have stated publicly that the referendum has been put aside. I note, however, that the decision has not been withdrawn.

Potential referendum on the Bosnia and Herzegovina Constitutional Court decision

28. Although the Republika Srpska has not acted on the referendum on the Bosnia and Herzegovina judiciary, there have been threats to hold a separate referendum on the Bosnia and Herzegovina Constitutional Court ruling of 26 November 2015, which determined that provisions of the Republika Srpska Law on Holidays, designating 9 January as the Day of the Republic are unconstitutional. All major Republika Srpska-based parties rejected the ruling, subjecting the three international judges serving on the court to sharp public criticism and calling for their removal from the court. On 29 November, the Serb-dominated parties in the Republika Srpska National Assembly adopted a joint statement demanding the drafting of a law on the Bosnia and Herzegovina Constitutional Court entailing the proposal for a court without international judges. They also threatened non-cooperation of representatives of the Republika Srpska at the State level. The President of the Republika Srpska announced in December, March and April that a decision would be taken at a future session of the Republika Srpska National Assembly on the holding of a referendum to confirm 9 January as Republika Srpska Day. To date, no such decision has been taken and I continue to follow the issue closely. Under annex 4 of the General Framework Agreement, decisions of the Bosnia and Herzegovina Constitutional Court are final and binding.

Challenges to peace and security

29. During the reporting period, several incidents occurred which impacted on the overall political situation in the country.

Terrorist kills two soldiers in Sarajevo

30. I take this opportunity to commemorate the lives of Armin Salkić and Nedeljko Radić, two members of the Armed Forces of Bosnia and Herzegovina,

who were shot and killed on 18 November in Rajlovac near Sarajevo, and to express my deepest gratitude for their service to the citizens of Bosnia and Herzegovina. A Day of Mourning, to be observed on 20 November, was declared by the Council of Ministers. In addition, allow me to express my deepest condolences to the people of Belgium, Bosnia and Herzegovina, France, the Russian Federation and Turkey affected by the recent terrorist attacks. Our respect for and memory of the victims will make us only stronger in defending the values of peace and tolerance. Barbarism and terror will not prevail.

Issue of foreign fighters

31. In April, the Bosnia and Herzegovina Court sentenced an individual to one year of imprisonment for terrorism and organization of a terrorist group. The sentence followed a guilty-plea agreement by which the perpetrator admitted that he had collected funds and left Bosnia and Herzegovina with the aim of joining Islamic State in Iraq and the Levant (ISIL), despite knowledge of the 30 May 2013 press release of the Security Council indicating that the Security Council Committee pursuant to resolutions 1267 (1999) and 1989 (2011) concerning Al-Qaida and associated individuals and entities had approved the listing of ISIL as a terrorist organization. Aware that there are other persons who had left Bosnia and Herzegovina to fight for such groups and subsequently returned to the country, the Bosnia and Herzegovina Prosecutor's Office continues to prosecute those involved.

Inter-ethnic incidents

32. Incidents continue to occur that threaten to undermine inter-ethnic relations. For example, the processions organized in March in Srebrenica and other municipalities by supporters of Vojislav Šešelj to celebrate his first-instance not-guilty verdict raised fear among Bosniak returnees within a community that is still trying to come to terms with the crimes of the past.

33. Two incidents in Mostar raised concerns that the already heightened tensions in the city due to the ongoing failure to implement the ruling of the Bosnia and Herzegovina Constitutional Court could escalate. First, a large Croat coat of arms was painted on the Planinica hill above Mostar on 26 March. The next day an incident occurred in Mostar's Old Town, where a stone engraved with the words "Don't forget" was removed from the Old Bridge, which is under the protection of the United Nations Educational, Scientific and Cultural Organization (UNESCO), and thrown in the Neretva River.

III. State-level institutions of Bosnia and Herzegovina

A. Presidency of Bosnia and Herzegovina

34. The Presidency of Bosnia and Herzegovina continued to meet regularly during the reporting period, holding 11 sessions, as it sought to advance the country's efforts to join the European Union. The efforts of the Presidency culminated in the formal submission of an application for membership in the European Union in Brussels on 15 February. I have no doubt that, in time, this date will be seen as one of historic significance for Bosnia and Herzegovina.

35. Another important step was taken on 12 January, when the Presidency of Bosnia and Herzegovina ratified the State Border Treaty between Bosnia and Herzegovina and Montenegro, the first border treaty ratified by Bosnia and Herzegovina with a neighbouring State. The Bosnia and Herzegovina Parliamentary Assembly had given its consent for the ratification of the Treaty on 10 December 2015.

36. The Presidency of Bosnia and Herzegovina continued to exercise its constitutional authority with regard to defence matters. On 2 December, amid announcements of the increase by neighbouring countries of their military capacities, the Presidency tasked the Ministry of Defence and the Ministry of Foreign Trade and Economic Relations with monitoring and reporting regularly on the full implementation by all sides of obligations under the Agreement on Subregional Arms Control, in accordance with article IV of annex 1-B of the General Framework Agreement for Peace in Bosnia and Herzegovina. The Presidency also adopted decisions on the destruction of defective ammunition and explosive ordnance stored in military facilities in Bosnia and Herzegovina, extended the engagement of the armed forces in the international mission in Afghanistan, and requested approval by the Parliamentary Assembly of its decision on the participation of police officers of Bosnia and Herzegovina in the United Nations Stabilization Mission in Haiti (MINUSTAH).

37. On 8 and 9 March, the Presidency of Bosnia and Herzegovina visited Croatia, where it held meetings with the President of Croatia and other senior officials. While talks focused on the provision of assistance by Croatia to Bosnia and Herzegovina in its efforts to join the European Union, they also touched on more contentious issues, including a border agreement between the two countries, property disputes, and Croatia's intention to construct a nuclear waste facility close to its border with Bosnia and Herzegovina. A joint session of the Council of Ministers of Bosnia and Herzegovina and the Government of Croatia was also announced.

38. Also, on a positive note, on 11 November, the Prime Minister of Serbia, Aleksandar Vučić, accompanied by two members of the Presidency of Bosnia and Herzegovina and senior Republika Srpska officials, visited Srebrenica for an investment conference, where Mr. Vučić stated that substantial funds had been allocated by Serbia for use in development projects in Srebrenica. The visit was conducted in a positive atmosphere and helped to repair the diplomatic damage caused by the incident that had occurred in Srebrenica on 11 July, when Mr. Vučić was assaulted with rocks and water bottles.

39. On 17 March, Bakir Izetbegović, a Bosnian member of the Presidency of Bosnia and Herzegovina, took over its rotating chairmanship from the outgoing chair, Dragan Čović, a Croat member of the Presidency.

B. Council of Ministers of Bosnia and Herzegovina

40. The Council of Ministers of Bosnia and Herzegovina continued to meet on a regular basis during the reporting period, holding 28 sessions. European Union-related and economic issues stemming from the Reform Agenda for Bosnia and Herzegovina and the associated Action Plan continued to dominate the agenda throughout the period. Representatives of the Bosnia and Herzegovina Council of

Ministers attended the first meeting of the Stabilization and Association Agreement Council in Brussels on 11 December 2015.

41. The convening of the first joint session of the Council of Ministers of Bosnia and Herzegovina and the Government of Serbia on 4 November 2015 in Sarajevo was a noteworthy and positive development. The meeting focused on improving and intensifying cooperation and bilateral agreements in the fields of sustainable development, telecommunications, agriculture, environmental protection, trans-border cooperation, the Energy Community, infrastructure and social protection. Several protocols and agreements were signed, including a protocol on cooperation in the search for missing persons.

42. Despite the intensification of the rhythm of the sessions of the Council of Ministers, activity with respect to the adoption of legislative changes has been less impressive, with the Council of Ministers having adopted 8 new laws and amendments to 15 existing laws.

43. The Council of Ministers has adopted numerous other acts and decisions (entailing provision of information, reports and strategic documents) which aim at enabling an improvement of the economy, an increase in competiveness, and the advancement of economic and trade cooperation in the region. Improving foreign trade in the agricultural sector and protecting domestic products have also remained a priority. On 28 January, the Council of Ministers adopted a midterm workplan for 2016-2018, which focuses on macroeconomic stability, greater competitiveness and the reduction of poverty.

44. The Council of Ministers adopted an Integrated Border Management Strategy for 2015-2018, which represents another outcome under the Reform Agenda, as well as a revised Communications Strategy for 2016-2018. The Council of Ministers took a decision to improve the functionality of the armed forces, and steps to intensify the fight against terrorism and money laundering, and adopted a new Migration and Asylum Strategy.

45. The Council of Ministers made several important appointments to State agencies and administrative bodies, including a new Commission for Cooperation with the United Nations Educational, Scientific and Cultural Organization and the Joint Steering Board for Coordination of Implementation of United Nations Programmes in Bosnia and Herzegovina.

C. Parliamentary Assembly of Bosnia and Herzegovina

46. Both Houses of the Parliamentary Assembly of Bosnia and Herzegovina convened regularly during the reporting period, with the House of Representatives of Bosnia and Herzegovina holding nine sessions and the House of Peoples of Bosnia and Herzegovina holding six sessions. Despite the regularity of the sessions, legislative output remains limited. Just three new laws and six amendments to existing legislation have been fully adopted by the Parliamentary Assembly since the beginning of its mandate. The Parliamentary Assembly also adopted an Audit Report for Institutions of Bosnia and Herzegovina for 2014, and several special audits on impact analysis. The Parliamentary Assembly adopted numerous other reports and initiatives, and gave its consent to the ratification of international agreements. The Parliamentary Assembly also acknowledged the Council of

Minister's Action Plan for Implementation of the Reform Agenda on 2 March 2016. I hope this will facilitate an acceleration of legislative output in the period ahead.

47. Changes in the ruling coalition constitute one factor that has contributed to the slow pace of progress on legislation, with the Federation-based Democratic Front party being replaced by the Party for a Better Future. The two members of the Democratic Front in the Council of Ministers, as Minister of Communications and Traffic and Deputy Minister of Defence, were removed in December. However, their replacements have not been appointed owing to the levelling of criminal charges against the president of the Party for a Better Future and that party's candidate for one of those posts.

48. On 10 November 2015, the Parliamentary Assembly of Bosnia and Herzegovina completed the appointment of the country's three Ombudsmen for Human Rights. Appointments to the General Auditors Office were completed on 22 March 2016. Given the nature of their responsibilities, the independence of both of these institutions remains of crucial importance and I urge the authorities to make every effort to ensure that it is maintained.

Amendments to the Election Law

49. Following the last general elections, an inter-agency working group was established under the auspices of the Parliamentary Assembly of Bosnia and Herzegovina to propose amendments to the Bosnia and Herzegovina Election Law and the Law on Political Party Financing. The group agreed to several amendments in March, of both a technical and a substantive nature. While retaining a nominal open-list system, the proposed amendments would raise the threshold for candidates to move up party lists from 5 to 15 per cent for local elections and from 5 to 30 per cent for other levels (canton, entity, State). The group also proposed an increase in the number of signatures required in order for candidates to stand in elections. Gender representation quotas for candidate lists would remain at 40 per cent, but without existing requirements preventing, for example, parties from putting all female candidates at the bottom of the list. The working group was unable to make progress on several key issues recommended by the Organization for Security and Cooperation in Europe (OSCE) Office for Democratic Institutions and Human Rights in its January 2015 report, such as reforms related to polling station committees, nor did the group tackle large political issues such as changes to the Election Law required in order to implement the ruling of the Constitutional Court of Bosnia and Herzegovina on Mostar. In regard to party financing, the working group accepted roughly half of the recommendations made by the Council of Europe Group of States against Corruption. Under the law, any amendments that are to apply for the next local elections in October 2016 would need to be adopted and to enter into force by 4 May, when the Central Election Commission of Bosnia and Herzegovina is scheduled to officially announce those elections.

IV. Federation of Bosnia and Herzegovina

Federation coalition developments

50. Following the departure of the Democratic Front from the coalition in the Federation, the Party of Democratic Action (SDA), the Croatian Democratic Union

of Bosnia and Herzegovina (HDZ Bosnia and Herzegovina), the Party for a Better Future, the Party for Bosnia and Herzegovina (SBiH) and the Party of Democratic Activity (A-SDA) formed a new majority, appointing four new ministers to the government in October to replace the ministers who were members of DF. The arrest of the President of the Party for a Better Future, Fahrudin Radončić, in January on charges of obstruction of justice and influence peddling has shaken the coalition, although the Party for a Better Future and SDA met twice in February to publicly reaffirm their commitment to the coalition, which continues to function.

51. The Government of the Federation convened regularly during the reporting period, holding 41 sessions. Twenty-one new laws and amendments to 24 existing laws were adopted by the Government during the reporting period.

52. Both houses of the Parliament of the Federation have continued to convene regularly during the reporting period, with the House of Representatives of the Federation holding nine sessions. The House of Peoples of the Federation held 10 regular sessions in the same period. During this period, the Parliament of the Federation adopted 8 new laws and amendments to 14 existing laws.

Court ruling raises questions about quorums and decision-making in the House of Peoples

53. In November, the Vital Interest Panel of the Federation Constitutional Court rejected as inadmissible a vital national interest (VNI) request made by 10 delegates of the Serb caucus against amendments to the Federation Civil Service Law. The court's reasoning centred on the number of delegates required to initiate the VNI procedure, given the fact that only 13 delegates have been appointed to the Serb caucus in the House of Peoples, which should consist of 17 delegates, according to the Federation Constitution. Specifically, the court ruled that the two-thirds majority of the caucus required to initiate the procedure should be calculated based on the total number of delegates foreseen in the Federation Constitution (17) rather than on the actual number of sitting delegates (13). Based on this reasoning, a total of 10 delegates was not considered sufficient to meet the two-thirds threshold. The failure to appoint the full number of Serb members to the Federation House of Peoples has been a long-standing problem.

54. Opposition parties have claimed that the decision has more far-reaching consequences, which are not linked to the Civil Service Law, in that it establishes a new principle for calculating majority requirements for decision-making in the Federation House of Peoples. Those parties believe that, if applied, this principle could call into question many other recent decisions, including the appointment of the government and several legislative acts. Given these potential implications, I am following this issue closely. The same parties have also raised concerns regarding the current system for appointing Serb delegates, which consistently fails to ensure that all 17 Serb delegates are appointed to the House of Peoples. This is an issue that must be addressed and I stand ready to assist the authorities in finding a solution.

The Constitutional Court of the Federation declares unconstitutional the government decree on appointments to public companies

55. On 19 January, the Constitutional Court of the Federation ruled that the controversial June 2015 government decree on appointments to public companies was unconstitutional. The decree transferred authorities previously exercised by individual ministers to the government as a whole, which triggered the departure of the Democratic Front from the coalition.

Federation Labour Law is readopted

56. In February, the Constitutional Court of the Federation returned the already adopted Federation Labour Law to the proposal phase before the Federation House of Peoples, based on violations of the rules of procedure of the House and the Constitution in its adoption. The House readopted the law on 31 March.

Amendments to civil service legislation roll back previous reform

57. The Federation Parliament adopted amendments to the Federation Civil Service Law on 23 October under urgent procedure, which were widely perceived as a rollback of reforms previously undertaken to depoliticize the civil service. The amendments effectively convert a large number of previous civil service positions to direct political appointments.

Legal challenge to government work over a four-month period

58. On 25 February, the Vice-President of the Federation (Democratic Front) asked the Federation Constitutional Court to review the constitutionality of the work undertaken and the decisions taken by the Federation Government between 15 June and 28 October, that is, the period following the departure of one of the Bosniak ministers (Democratic Front) from the government and preceding his replacement. The President, who based his complaint on the Federation Constitution provision that the government must be composed of at least seven Bosniak ministers, alleged that during this period, the government included only six Bosniak ministers and had therefore worked unconstitutionally. He claimed that all decisions, appointments and other acts adopted during that period were also unconstitutional.

Mostar

59. Political party talks on the implementation of the 2010 ruling of the Constitutional Court of Bosnia and Herzegovina intensified during the reporting period. The Steering Board of the Peace Implementation Council convened on 2 December and again underscored that "Mostar must remain a single, coherent, multi-ethnic unit of local self-government, with some level of local authority/ administration below that of the city".

60. Discussions of HDZ Bosnia and Herzegovina and SDA went on behind closed doors throughout the reporting period; and in March, it appeared as if an agreement could be imminent, possibly as part of a wider package which would address the Sejdić-Finci ruling of the European Court of Human Rights. In April, a meeting between the leaders of HDZ Bosnia and Herzegovina and SDA related to the Mostar issue failed to yield positive results. I have continued to press those parties and other political actors to achieve a breakthrough and I stand ready to assist them.

61. Sensing that SDA and HDZ Bosnia and Herzegovina may be reaching a consensus on dividing the city along ethnic lines, other political actors including the Social Democratic Party (SDP), DF, Naša Stranka, the Croat Republican Party and a former mayor of Mostar have come forward to promote their own proposals on how to implement the ruling of the Constitutional Court. Mostar's Serb community has also engaged in efforts to find a solution, with the assistance of the Serb member of the Presidency of Bosnia and Herzegovina. The SDA proposal, which was eventually leaked, was widely perceived as a model for the ethnic partition of Mostar, resulting in a strong public backlash. HDZ Bosnia and Herzegovina promptly made it clear that it would not support the division of the city and, instead, would submit its own proposal under Bosnia and Herzegovina parliamentary procedure.

V. Republika Srpska

62. During the reporting period, the ruling coalition in the Republika Srpska remained stable, with the Republika Srpska government holding 28 regular sessions. The Republika Srpska National Assembly, which held nine sessions, adopted 12 new laws and amendments to 17 existing laws.

63. While the ruling coalition remained stable, relations between the two major parties in the coalition, SNSD and the Democratic National Alliance (DNS), have become strained as DNS publicly criticized actions of the government and relations within the coalition. With local elections foreseen in October 2016, relations between the ruling and the opposition block have remained tense.

Non-cooperation with the High Representative

64. It is regrettable that the reporting period has seen a continuation of attacks upon the Office of the High Representative and on the High Representative in particular. On 9 January, I began receiving several thousand postcards, under the sponsorship of SNSD, which called for me, as High Representative, to "go home". A number of the postcards included death threats. The postcards were handed over to the Bosnia and Herzegovina Prosecutor's Office, who will determine whether they constitute grounds for prosecution. I am concerned that similar postcards were also sent to the international judges on the Bosnia and Herzegovina Constitutional Court.

65. The Republika Srpska authorities have continued their policy of denying the High Representative access to official information and documents required to fulfil his mandate. Under annex 10 of the General Framework Agreement for Peace, all authorities in Bosnia and Herzegovina are obliged to fully cooperate with the High Representative as well as with international organizations and agencies, as provided for under article IX of the General Framework Agreement. The practice engaged in

by the Republika Srpska government of not providing the information and documents requested by the Office of the High Representative goes back to 2007. Repeated calls by the Peace Implementation Council reminding the government of its obligation to ensure that the High Representative has full access to documents in a timely fashion have had no impact. This policy contradicts the frequent claim made by the Republika Srpska that the entity respects the letter of the General Framework Agreement for Peace.

VI. International Tribunal for the Former Yugoslavia

Former President of the Republika Srpska, Radovan Karadžić, convicted of genocide in first instance

66. On 24 March, the International Tribunal for the Former Yugoslavia rendered its first-instance verdict in the case against Radovan Karadžić, the wartime President of the self-proclaimed Republika Srpska and the supreme commander of its armed forces. The International Tribunal found Karadžić guilty of genocide, crimes against humanity and violations of the laws or customs of war as committed by Serb forces during the armed conflict in Bosnia and Herzegovina. Karadžić was sentenced to 40 years of imprisonment. The International Tribunal found that Karadžić had committed those crimes through his participation in four joint criminal enterprises. A common plan to permanently remove Bosnian Muslims and Bosnian Croats from the Bosnian Serb-claimed territory through the commission of crimes in municipalities throughout Bosnia and Herzegovina constituted the overarching joint criminal enterprise, which was engaged in between October 1991 and November 1995.

Serbian Radical Party leader Vojislav Šešeelj found not guilty in first instance

67. On 31 March, the International Tribunal found Vojislav Šešelj not guilty in first instance on all counts of crimes against humanity and war crimes. The prosecution, which had asked for a sentence of 28 years, has said that it will appeal the decision. Reactions to the verdict have been divided. The President of the Republika Srpska, Milorad Dodik, praised Šešelj for his resilience and called the case groundless and politically motivated. The response among Sarajevo-based parties and commentators, as in Croatia, was generally one of shock and outrage. Following the decision, there were reports of a number of troubling incidents in which supporters of Šešelj insulted and threatened Bosniak returnee communities in the Republika Srpska during celebrations over the verdict. Harking back to what had occurred during the 1992-1995 war Šešelj supporters drove their cars, in column formation, through the streets of Srebrenica and Bratunac, while waving the flag of Šešelj's Serbian Radical Party and shouting out threats to kill Bosniaks. Similar gatherings of supporters were reported in Bijeljina and Trebinje.

VII. Entrenching the rule of Law

68. Discussions within the European Union-led Structured Dialogue on Justice continued during the reporting period and concentrated on new draft legislation on

the Court of Bosnia and Herzegovina. There seems to be an emerging agreement that the provision regulating the criminal jurisdiction of the Court should be redrafted in order to "objectivize" the criteria under which the State of Bosnia and Herzegovina currently exercises criminal jurisdiction over prosecution of crimes prescribed by the entity codes. I have made it clear that the State-level jurisdiction may not be diminished, as it follows the division of competencies between the State and the entities under the Constitution. In addition, an agreement appears to have been reached to create an additional Bosnia and Herzegovina Appellate Court by transforming the current Appellate Panel of the Court of Bosnia and Herzegovina into a new institution.

69. I continue to be concerned by the tendency of political actors to put pressure on the judiciary in ongoing proceedings, not least by delivering strongly worded pronouncements in public. It remains vitally important that the members of the judiciary be free from political pressure when they prosecute and rule on cases, which should be in a manner that is fully aligned with the principles of professionalism and accountability. Similarly, all those under indictment must be regarded as innocent until such time as they are proved guilty.

Anti-corruption efforts

70. The implementation of the Federation legislation of 2014, whose purpose is to create a special prosecutor's department for fighting corruption and organized crime, continues to be delayed owing to a lack of allocated budgetary resources. In February 2016, the Government of the Federation proposed the amendment of the legislation, with a view to officially postponing the date of its application until 1 July 2017. At the moment, there are no guarantees that the administrative prerequisites for the legislation to become operative can be met even by that date. In parallel with this, legal uncertainty remains in regard to the jurisdiction over the prosecution of corruption and organized crime in the Federation.

Prosecution of domestic war crimes

71. The deadline set for the strategic goal of processing all serious war crimes cases within seven years expired in December 2015. Since that goal was not achieved, the Supervisory Board for the Implementation of the War Crimes Prosecution Strategy initiated a discussion on identifying the reasons for non-achievement and revising the plans. The Board should also be in a position to assess whether funds provided by the European Union for processing of cases of war crimes are being properly disbursed by the authorities.

VIII. Public security and law enforcement, including intelligence reform

72. The practice of political interference in operational policing remains a challenge, as attested by the continued delays in the appointment of police directors and the independent boards that select them and later monitor their performance. The issue of the appointment of the Federation Administration Police Director is still unresolved owing to an ongoing court dispute over the validity of an already

conducted selection process. The appointments of new police commissioners in West Herzegovina Canton and Canton 10 are still outstanding. The appointments of independent boards have been delayed in Posavina, Tuzla and West Herzegovina cantons. At the State level, an initiative to remove the entire Independent Board, in a murky legal situation, threatens to create the perception of improper political influence exerted over the work of this professional oversight body.

73. On 29 December, the Sarajevo Cantonal Assembly adopted a new Law on Internal Affairs. The Una-Sana Cantonal Assembly adopted a new Law on Internal Affairs in first reading on 25 January 2016. On 27 October 2015, the Federation House of Representatives adopted new legislation on police officials in first reading.

74. The new Republika Srpska Law on Police and Internal Affairs was adopted by the Republika Srpska National Assembly at the end of December 2015. However, disputes arose when the President of the Republika Srpska refused to accept amendments on proportional representation of constituent peoples and so-called "others", in line with the 1991 census of the Republika Srpska police, as agreed with the Bosniak caucus in the Republika Srpska Council of Peoples and as provided under the Republika Srpska constitution. In a procedural manoeuvre, the Republika Srpska National Assembly rejected the Law in early March 2016 to allow for the preparation of a new version. On 7 April, the Republika Srpska National Assembly adopted the new version, deleting reference to the 1991 census. The adopted version of the law refers to the "last census" (conducted in 2013), which could have the effect of greatly reducing the obligation of the Republika Srpska to employ minority police, if the obligation under the new version is compared with the obligation arising from the 1991 census.

75. The Office of the High Representative continues to monitor changes made to police legislation and encourage harmonization in jurisdictions throughout the country.

Appointment of the new Director of the State Investigation and Protection Agency

76. On 5 November 2015, the Council of Ministers of Bosnia and Herzegovina appointed Perica Stanić as the new Director of the State Investigation and Protection Agency (SIPA) for a four-year term, following a selection process conducted by the Bosnia and Herzegovina Independent Board, after the dismissal of Goran Zubac from the post on 5 August 2015.

Appointment of a new Director General of the Bosnia and Herzegovina Intelligence and Security Agency

77. On 19 November 2015, the Council of Ministers of Bosnia and Herzegovina appointed Osman Mehmedagić to the post of Director General of the Bosnia and Herzegovina Intelligence and Security Agency.

IX. Economy

78. While 2015 was generally assessed as a positive year in terms of the economic recovery of Bosnia and Herzegovina, the relevant institutions of the country observed a downward trend in respect of industrial production and foreign trade in the first months of 2016. While it had increased by 2.6 per cent in 2015, industrial production in January 2016 fell by 3.3 per cent, as compared with the figure for the same month in 2015. Similarly, Bosnia and Herzegovina had registered a 3.5 per cent increase in exports and a 2.1 per cent decrease in imports in 2015, while exports and imports fell by 1.2 per cent and 2.4 per cent, respectively, in the first two months of 2016. The deflation level of 1 per cent registered in 2015 was also characteristic of the beginning of 2016. A positive trend continued in terms of the collection of indirect tax revenue, which is essential for fiscal stability at all levels of government in Bosnia and Herzegovina. The Indirect Taxation Authority again registered a record collection level in 2015 (BAM 6.357 billion, representing 1.9 per cent increase over 2014), while the collection in the first two months of 2016 increased by 1.3 per cent over the same period in 2015.

79. The credit rating of Bosnia and Herzegovina was affirmed by both Moody's Investors Service on 26 February ("B3 with stable outlook") and Standard & Poor's Ratings Services on 11 March ("B with stable outlook"). The World Bank report entitled *Doing Business 2016: Measuring Regulatory Quality and Efficiency* (Washington, D.C., 2016) ranked Bosnia and Herzegovina as seventy-ninth among 189 economies in terms of the ease of doing business, which represents significant progress compared with its one hundred seventh place in the 2015 ranking. Particularly good ratings were assigned in the categories of getting credit (forty-second place), trading across borders (twenty-eighth place) and resolving insolvency (thirty-eighth place).

80. In January, the average monthly net salary in Bosnia and Herzegovina amounted to BAM 829 and the average pension amounted to BAM 358, representing a 0.2 per cent increase in both cases compared with the figures for the same month in 2015. Substantial deficits in pension funds led the Republika Srpska to include its fund within the Republika Srpska Treasury System to ensure regular monthly pension payments, and the Federation plans to do the same. The rise in the number of pensioners continues to outpace the number of contributors in both entities, and a low rate of collection of contributions also exacerbates financial problems.

81. Unemployment fell 2.2 per cent in January compared with January 2015, with the administrative unemployment rate at 43.2 per cent (actual unemployment in Bosnia and Herzegovina is estimated at about 27.7 per cent). The share of youth unemployment in the total unemployment figure is about 60 per cent. Foreign direct investment (FDI) in the first nine months of 2015 amounted to BAM 388.9 million, a 33.8 per cent, decrease compared with the figure for the same period in 2014.

82. The banking sector in Bosnia and Herzegovina is assessed as generally stable, but there are concerns regarding the stability of certain banks in the Republika Srpska. The 2015 bankruptcy of Bobar Banka affected a number of public institutions, companies and individuals. SIPA, acting upon a request of the Bosnia and Herzegovina Prosecutor's Office, arrested a number of persons in connection with the bank's collapse, including the Republika Srpska Banking Agency Director and the Republika Srpska Investment-Development Bank Director. Banka Srpske

has also had difficulties, resulting in the appointment by the Republika Srpska Banking Agency of a provisional administrator in November. A third Republika-Srpska-based bank, Pavlović Banka, is also in a difficult position, owing mainly to the domino effect exerted by the two previous cases.

Fiscal issues

83. The overall fiscal situation was somewhat better in 2015, thanks mainly to a continued increase in indirect tax revenue collection and reduced foreign debt payment obligations. Fiscal challenges in 2016 may arise from the 26 per cent increase in foreign debt payment obligations and further delays in international financial assistance. Negotiations on a new IMF programme for Bosnia and Herzegovina were initiated but had not been concluded at the time of this writing.

84. A challenge to the fiscal stability of Bosnia and Herzegovina has also arisen from increasing public debt. At the end of 2015, the total public debt of Bosnia and Herzegovina amounted to BAM 11.936 billion, a 3.6 per cent increase over 2014. The share of foreign debt in this amount was BAM 8.401 billion, a 2.2 per cent increase over the share in 2014, while the share of internal debt in total public debt was BAM 3.535 billion, a 7.1 per cent increase over the share in 2014. The total public debt has increased by 26.2 per cent compared with the figure for only five years ago. The increase of foreign debt over that period is estimated at 34 per cent and the increase of internal debt has been 10.4 per cent.

85. Most public budgets for 2016 were adopted before the end of 2015. The budget for Bosnia and Herzegovina institutions and international obligations for 2016 has amounted to BAM 1.720 billion, of which BAM 950 million is for financing State institutions and BAM 770.6 million is for foreign debt servicing. While the financing of the State institutions will remain at the same level as that for the last four years, foreign debt servicing in 2016 will increase by 2 per cent over 2015.

86. The 2016 Federation Budget amounts to BAM 2.598 billion, an increase of 11 per cent compared with 2015. It projects domestic revenues of BAM 1.886 billion (a 1.3 per cent increase). The coverage of a deficit of BAM 712 million is planned through foreign long-term borrowing (BAM 312 million) and domestic short-term and long-term borrowing (BAM 360 million and BAM 40 million, respectively). The total planned borrowing represents 27 per cent of the total expected revenue for 2016. Debt payments of BAM 974.9 million are foreseen (a 14 per cent increase).

87. All 10 cantons have adopted their 2016 budgets. The overall fiscal situation in the cantons improved in 2015, owing mostly to the performance of indirect tax revenue, but accumulated deficits continue to burden most of the cantons. In Una-Sana and West Herzegovina cantons, those deficits are almost equal to the cantons' respective annual budgets. A serious challenge not only for some cantons but also for municipalities and cities emerged following the decision of the Federation Minister of Finance to use the 2013 preliminary census results as the basis for the allocation of revenue to the cantons and other lower levels of government. The Minister's instruction triggered dissatisfaction in some cantons with Bosniak majorities. The affected cantons demanded the annulment of the instruction, claiming that preliminary census results could not be used, and warned of the levelling of criminal charges against the Minister. Moreover, SDA announced

that there would be an appeal to the Constitutional Court of the Federation of Bosnia and Herzegovina should the instruction not be repealed.

88. The fiscal crisis facing the City of Sarajevo, due to the city's exclusion from the system of revenue allocation in the amended Federation Law on Allocation of Public Revenues in May 2014, was resolved with the assistance of my Office. In acknowledgement of that assistance, Sarajevo conferred the "Key of Sarajevo" award on the High Representative. A sound legal basis for ensuring the allocation of revenues to the city was established when the Federation Parliament adopted necessary amendments to the Federation Law on Allocation of Public Revenues on 19 November.

89. The 2016 Republika Srpska budget in the amount of BAM 3.1 billion was adopted by the Republika Srpska National Assembly. The main reason for the adoption of such a large budget has been the inclusion of the Republika Srpska Pension and Disability Insurance Fund in the Republika Srpska Budget Treasury System. The budget projects total domestic revenue of BAM 1.689 billion (a 5 per cent increase). The coverage of a deficit of BAM 558.3 million is planned through long-term borrowing (BAM 459.4 million) and domestic short-term borrowing (BAM 98.8 million). The total planned borrowing represents 24.8 per cent of the total expected revenue for 2016. Debt payments of BAM 670 million are foreseen (a 31 per cent increase).

90. The conclusion of a new financial arrangement between Bosnia and Herzegovina and IMF would ease fiscal pressures in both entities, particularly in the Republika Srpska, which is already faced with serious liquidity problems, as evidenced by delays in the monthly budget payments of the Republika Srpska.

International obligations

91. On 16 October, the Ministerial Council of the Energy Community adopted measures against Bosnia and Herzegovina for persistent breaches of obligations arising from the Energy Community Treaty, in particular in relation to the gas sector. Despite the efforts undertaken during the reporting period by the country's Ministry of Foreign Trade and Economic Relations to coordinate domestic stakeholders, no tangible progress has been made to ensure compliance with the Treaty, mainly because of the continued differences of opinion of the two entities with regard to the extent of State-level regulation. Bosnia and Herzegovina needs to demonstrate progress by the date of the next meeting of the Energy Community Ministerial Council, to be held in October, as the basis for successfully arguing against the continued imposition of measures.

X. Return of refugees and displaced persons

92. Upholding the right of refugees and displaced persons to return to their pre-war homes remains central to the full implementation of annex 7 of the General Framework Agreement for Peace, which requires authorities at all levels "to create in their territories the political, economic, and social conditions conducive to the voluntary return and harmonious reintegration of refugees and displaced persons, without preference for any particular group (article II)".

93. An environment that is conducive to sustainable return is equally important and requires the full implementation of the 2012 Return Strategy. In this respect, I remain particularly concerned by the ongoing difficulties faced by returnees in the education sector in several local communities, not least in relation to the use and names of official languages. It is for this reason that I have pressed the Republika Srpska authorities to ensure that all three official languages (Bosnian, Croatian and Serbian) are used equally in Bosnia and Herzegovina.

XI. Media developments

94. The Public Broadcasting System (PBS) continued to face challenges, including funding difficulties. The existing system of tax collection through the three main telecom operators lapsed in December, and was extended for another six months while a permanent arrangement is sought. The Council of Ministers of Bosnia and Herzegovina instructed the country's Ministry of Communications and Transport to establish a working group to examine possible collection models.

95. The failure to establish a PBS corporation (to serve the three public broadcasting services (BHRT, RTRS and FTV)) continues to hold back overall PBS reform as well as the changeover from analog to digital broadcasting. The draft proposal of the General Managers of BHRT, RTRS and FTV in March 2016 on entering into a consortium agreement rather than establishing the corporation points to the long-running refusal to implement the existing PBS Law.

96. The reporting period has also seen attempts to change the PBS Law. Amendments put forward in March by the Bosnia and Herzegovina Ministry of Traffic and Communications proposed three channels within BHRT, with programming adjusted to meet the needs of a single constituent people, broadcast accordingly from studios in Sarajevo (in the Bosnian language), Banja Luka (in Serbian) and Mostar (in Croatian). This proposal has yet to be voted on, but has already been publicly rejected by the two existing entity public broadcasters (RTRS and FTV).

97. I am also concerned by amendments to the RTRS Law adopted by the Republika Srpska National Assembly in first reading in February. Contrary to the provisions of existing State-level legislation, the amendments provide RTRS with a possibility for broadcasting on more than one channel on its own frequencies.

98. On 3 December 2015, the Council of Ministers of Bosnia and Herzegovina appointed an interim General Director of the Communications Regulatory Agency, which regulates the electronic media in Bosnia and Herzegovina. The process leading to the appointment of a new General Director by the Council of Ministers is entering its final phase.

XII. Defence matters

99. The Ammunition, Weapons and Explosives (AWE) Strategic Commission, led by the Bosnia and Herzegovina Ministry of Defence, continues to meet periodically to coordinate efforts to dispose of Bosnia and Herzegovina's stockpiles of ammunition, weapons and explosives. At 2,000 tons, the pace of disposal has almost doubled in the last year. Further progress is needed, as ageing stockpiles and poor storage

conditions mean the risk of accidental explosion remain. An agreement to establish a mechanism through which surplus stockpiles could be sold remains out of reach.

100. Regrettably, Bosnia and Herzegovina will not meet its goal of becoming landmine-free by 1 March 2019. A new target date has yet to be agreed. On a more positive note, the Board of Donors on Mine Action has been reinvigorated and is now engaged with the Bosnia and Herzegovina authorities in ensuring improvement and greater scrutiny of mine clearance efforts.

XIII. European Union military force

101. The European Union military mission in Bosnia and Herzegovina continues to play an important role in supporting the efforts of Bosnia and Herzegovina to maintain a safe and secure environment. That support in turn assists my Office and other international organizations in fulfilling their mandates. The presence of the European Union military force on the ground, including through its liaison and observation teams, remains an important contribution to stability and security.

XIV. Future of the Office of the High Representative

102. The political directors of the Steering Board of the Peace Implementation Council met in Sarajevo on 1 and 2 December 2015 to underline not only the progress that has been made in implementing the General Framework Agreement for Peace, but also their unequivocal commitment to the territorial integrity and sovereignty of Bosnia and Herzegovina. The Steering Board also reinforced the need to complete the 5+2 agenda, which remains necessary for the closure of the Office of the High Representative. The next meeting of the Steering Board is scheduled to be held on 7 and 8 June 2016.

103. Since the beginning of my mandate in March 2009, the budget of the Office of the High Representative has been reduced by over 45 per cent and my staff by over 51 per cent. Given these deep cuts, it remains essential that I be equipped with the budget and staff required to carry out my mandate effectively, as I am entitled to do under annex 10 of the General Framework Agreement for Peace.

XV. Reporting schedule

104. In keeping with the proposals of my predecessor to submit regular reports for onward transmission to the Security Council, as required under Council resolution 1031 (1995), I herewith present my fifteenth regular report. Should the Secretary-General or any Council member require information at any other time, I would be pleased to provide an additional written update. The next regular report to the Secretary-General is scheduled for October 2016.